

**MAGELLAN**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF:** September 30, 2008

**ASSETS**

**CURRENT ASSETS**

101	Cash (Disclose on Schedule A)	\$18,974,212
102	Current Investments	\$52,955,114
103	Accounts Receivable (net) (Disclose on Schedule A)	\$22,462,259
104	Notes Receivable (current portion)	
105	Prepaid Expenses	1,319,324
106	Other Current Assets (Disclose on Schedule A)	\$291,274
107	Total Current Assets	<u>\$96,002,183</u>

**NON-CURRENT ASSETS**

108	Land	-
109	Building	-
110	Leasehold Improvements	3,652,302
111	Furniture and Equipment	8,187,807
112	Vehicles	-
113	Total Property and Equipment	<u>\$11,840,109</u>
114	Less: Accumulated Depreciation	6,858,738
115	Net Property and Equipment	<u>\$4,981,371</u>
116	Notes Receivable (net of current portion)	-
117	Performance Bond (Disclose on Schedule A)	-
118	Long Term Investments	-
119	Deposits	-
120	Other Noncurrent Assets (Disclose on Schedule A)	\$424,995
121	Total Noncurrent Assets	<u>\$5,406,366</u>
122	TOTAL ASSETS	<u><u>\$101,408,549</u></u>

**LIABILITIES AND NET ASSETS/EQUITY**

**CURRENT LIABILITIES**

201	Incurred But Not Reported Claims (Disclose on Sch. A)	\$15,032,523
202	Reported But Unpaid Claims	3,212,786
203	Payable to ADHS (Disclose on Schedule A)	\$14,502,037
204	Other Amounts Payable to Providers	206,635
205	Trade Accounts Payable	1,770,486
206	Accrued Salaries and Benefits	-
207	Long-term Debt (current portion)	9,595
208	Deferred Revenue (Disclose on Schedule A)	\$0
209	Risk Pool Payable	-
210	Other Current Liabilities (Disclose on Schedule A)	\$19,381,681
211	Total Current Liabilities	<u>\$54,115,743</u>

**NON-CURRENT LIABILITIES**

212	Long-term debt (net of current portion)	26,929
213	Loss Contingencies (Disclosed on Schedule A)	\$0
214	Other Noncurrent Liabilities (Disclose on Schedule A)	\$1,191,815
215	Total Noncurrent Liabilities	<u>\$1,218,744</u>

216	TOTAL LIABILITIES	<u>\$55,334,487</u>
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**217 NET ASSETS/EQUITY**

	Unrestricted Net Assets	46,074,062
	Restricted Net Assets (Disclose on Schedule A)	\$0

218	TOTAL LIABILITIES AND NET ASSETS/EQUITY	<u><u>\$101,408,549</u></u>
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MAGELLAN  
STATEMENT OF FINANCIAL POSITION  
AS OF:  
Schedule A Disclosures

September 30, 2008

ASSETS:

Cash

Unrestricted	17,782,397
Restricted	1,191,815
Total Cash	<u><u>\$18,974,212</u></u>

Accounts Receivable  
ADHS

	Program ID	Category ID	
Current Year			
Includes 1.3M that is not in GL	NTXIX/XXI SMI	SMI Services/Tobacco Tax	1,460,834
	NTXIX/XXI SMI	MHBG	43,218
	NTXIX/XXI SMI	Maricopa City IGA	8,120,793
	NTXIX/XXI Child	Children's Treatment	2,590
	NTXIX/XXI Child	MHBG	(113,064)
	NTXIX/XXI Child	Maricopa City IGA	375,000
	Substance Abuse	Meth Initiative	41,458
	Substance Abuse	Substance Abuse TX Children	34,410
	Substance Abuse	Substance Abuse Prevention T.	1,413,366
	Substance Abuse	SAPT Pregnant Women	231,185
	Substance Abuse	SAPT 07 HIV/Aids Alcohol	(78,936)
	Substance Abuse	Meth Initiative SAPT	(83,333)
	Substance Abuse	Maricopa City IGA	341,043
	Substance Abuse	City of Phoenix - LARC 08	147,856
	Mental Health	Maricopa City IGA	466,677
	ADHS DOC	ADOC-After Care	183,281
	Prevention Intervention	Children's Prevention	139,141
	Prevention Intervention	SA Prevention TX	527,885
	PASRR	PASARR	4,500
Prior Year			

Non-ADHS &/or Unrelated Business  
Current Year

MCRN Receivable	28,830
Interest Receivable on Investments	410,081
Tax Benefit Receivable	\$2,001,152
Hope Housing Receivable	62,270
Prevention Funding Overpayment - Friendly House	14,168
Prevention Funding Overpayment - AZ Suicide Prevention	3,400
ABC Housing Receivable	\$26,688
CER - ACRA Training	12,216

Prior Year	Identify Program	Identify Category	
	Tax Benefit Receivable		6,077,487
	ABC Housing Receivable		385
	Hope Housing Receivable		83,216
	Tobacco Tax Funding Recoupment		484,195
	CER - Youth Festival		268

Allowance for Doubtful Accounts

Total Accounts Receivable	<u><u>22,462,259</u></u>
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Other Current Assets (Detail of Line 106)

Start-up Costs for Maricopa Clinics	291,274
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LIABILITIES:

IBNR Claims Estimate

Current Year	11,019,089
Prior Year(s)	4,013,434
Total IBNR	<u><u>\$15,032,523</u></u>

Payable to ADHS (Detail of Line 203)

	Program ID	Category ID	
Current Year			
	TXIX Child	Profit/Risk Corridor	1,686,597
	TXIX SMI	Profit/Risk Corridor	313,305
	TXIX DD Adult	Profit/Risk Corridor	992,143
	TXXI Adult	Profit/Risk Corridor	12,115
	HIFA II SMI	Profit/Risk Corridor	138,991
	NTXIX/XXI Child	Profit/Risk Corridor	100,768
	TXIX Child	Withhold	722,626
	TXIX SMI	Withhold	1,184,198
	TXIX GMHSA	Withhold	424,459
	TXXI Child	Withhold	37,356
	HIFA II SMI	Withhold	7,617
	HIFA II GMH	Withhold	3,591
	Admin & Mgmt Gen	Sanctions	235,150
Prior Year			
	HIFA II SMI	Profit/Risk Corridor	486,912
	HIFA II GMH	Profit/Risk Corridor	59,955
	TXXI Adult	Profit/Risk Corridor	330,464
	TXIX Child	Withhold	2,294,867
	TXIX SMI	Withhold	124,449
	TXIX GMHSA	Withhold	3,720,678
	TXXI Child	Withhold	30,298
	TXXI Adult	Withhold	1,323,342
	HIFA II GMH	Withhold	19,775
	Admin & Mgmt Gen	Sanctions	252,381

Total Payable to ADHS 14,502,037

Deferred Revenue from: (Detail of Line 208)

	Program ID	Category ID	
ADHS			
Current Year			
	TXIX SMI	SMI TXIX Match	-
	TXIX SMI	Prop 204 SMI	-
	TXXI Adult	TXIX/CAP/18 YO Svcs	-
	HIFA II GMH	HIFA II GMH/SA	-

Prior Year	Identify Program	Identify Category	\$0
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Non-ADHS &/or Unrelated Business

Current Year	Identify Program	Identify Category	-
	Identify Program	Identify Category	-
Prior Year	Identify Program	Identify Category	

Total Deferred Revenue \$0

Other Current Liabilities (Detail of Line 210)

Sales & Use Tax	6,222
Consulting Expenses	261,345
Telephone Expenses	78,871
LOC Interest Expense	2,342

<b>Total Other Current Assets</b>		<b>\$291,274</b>	Unclaimed Property	(6,849)
			Maricopa Tail Ins Accrual	4,400,000
			PASARR Accrual	6,300
			CEDA Food Boxes	47,103
			NAFI Housing Expense	132,444
			SW Network - Sale of 5 Clinics	394,848
			Triple R Accrual	63,537
			Arnold vs Sarn	123,836
			Sublease Security Deposits	31,026
			Self Insurance Retention	262,037
			Intercompany Magellan Health Services	13,578,620
			<b>Total Other Current Liabilities</b>	<b>19,381,681</b>
<b>Total Other Noncurrent Assets</b>		<b>\$424,995</b>		
<b>PERFORMANCE BOND:</b>			<b>Loss Contingencies (Detail of Line 213)</b>	
Type of Security & Amount -			Identify Loss Contingencies	-
Safeco Insurance Company of America	Bond	36,000,000		
Deutsche Bank	LOC	4,259,363	<b>Total Loss Contingencies</b>	<b>\$0</b>
<b>Adjustments:</b>			<b>Other Noncurrent Liabilities (Detail of Line 214)</b>	
Disclose and describe any adjustments made to previously submitted financial statements, including those that affect the current period financial statements.			Maricopa Comcare Trust	1,191,815
<b>Payables to ADHS - Other* Category</b>			<b>Total Other Noncurrent Liabilities</b>	<b>\$1,191,815</b>
Disclose items recorded as "Other" in the category for Payable to ADHS Section				
<b>Explain ≥10% fluctuation in account from prior period</b>			<b>Restricted Net Assets (Detail of Line 217)</b>	
Describe fluctuation in each account greater than 10%			Identify Restricted Net Assets	-
			<b>Total Restricted Net Assets</b>	<b>\$0</b>
Cash	Current investments of \$52,955,114 reclassified to appropriate line item.			
Current Investments	Current investments reclassified from Cash.			
Accounts Receivable (net)	NT funding accrued in excess of received in various programs - Maricopa IGA (\$8.7M), Substance Abuse (\$1.8M), COOL (\$183K), Prevention (\$467K). Tax benefit increased \$2M, Hope & ABC Housing \$78K, block funding overpayments - \$18.6K. Interest on investments increased \$310K.			
Other Current Assets	Amort of clinic rents in excss of AZ market cost - \$65/month; adjustment for disposed clinics - 35K			
Accumulated Depreciation	Change in accumulated Depreciation, adjusted by asset disposal related to transitioned clinics.			
Incurred But Not Reported Claims	Increase in claims incurred but not reported - based on an actuarial estimate of the claims incurred.			
Reported But Unpaid Claims	Increase in prior month claims paid during the quarter			
Payable to ADHS	Increase in excess profit accrual due to encounter withhold now being excluded from calculation.			
Other Amounts Payable to Providers	Prevention provider withholds at June were subsequently repaid to providers - 100K			
Trade Accounts Payable	Trade payables accrued in June exceeded those accrued in subsequent months.			
Long-term Debt (current portion)	Adjustment to ST/LT Leases			
Long-term debt (net of current portion)	Write off Garden Lakes copier lease due to clinic transition to PNO.			

# MAGELLAN

## STATEMENT OF CHANGES IN NET ASSETS / EQUITY

AS OF : September 30, 2008

			Net Assets / Retained Earnings	Unrealized Gains (Losses) on Securities	Total
Initial Capital	Additional Capital				
Beginning Balance: July 1, 2008	-	56,000,100	(8,045,134)		47,954,966
* Net Surplus / Net Earning for the period ended: September 30, 2008	-	-	(1,441,118)		(1,441,118)
Other Comprehensive Income:					
Unrealized Gains (Losses) on Securities				(354,583)	(354,583)
Dividends Declared		-	-		-
** Prior Period Adjustments	-	-	(85,203)		(85,203)
Ending Balance: September 30, 2008			-		-
	\$ -	\$ 56,000,100	\$ (9,571,455)	\$ (354,583)	\$ 46,074,062

\* Net of dividends declared

\*\* Disclosure of Prior Period Adjustments

Reduction of FY08 Tobacco Tax funding - notified in August 2008











**MAGELLAN**  
**STATEMENT OF CASH FLOWS**  
**YEAR TO DATE FOR PERIOD ENDED:**

September 30, 2008

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in Net Assets	(1,441,118)
Adjustments to Reconcile Excess of Revenue Over/(Under) Expenses to	
Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	1,051,530
Changes in Operating Assets and Liabilities	
<b>(Increases)/Decreases in Assets:</b>	
Current Investments	(52,955,114)
Receivables	(13,633,900)
Inventory & Prepaid Expenses	15,402
Interest Receivable	(28,830)
Deposits	1,250
Other Assets	228,834
<b>Increases/(Decreases) in Liabilities:</b>	
IBNR	3,451,906
RBUIC	(2,260,247)
Accounts Payable to ADHS	5,858,916
Accounts Payable to Providers	(100,612)
Interest Payable	-
Trade Accounts Payable	(524,526)
Accrued Salaries & Benefits	-
Other Liabilities	1,403,609

<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<hr/> (58,932,900)
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**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Property & Equipment	-
Purchases of Property & Equipment	499,312
Proceeds from Sales of Investments	-
Purchase of Investments	-

<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<hr/> 499,312
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**CASH FLOWS FROM FINANCING ACTIVITIES:**

Acquisition of Debt (Describe on Schedule A)	-
Payment of Lease Obligations	-
Payment of Other Debts (Describe on Schedule A)	-
Additional Paid-In Capital from Parent Company	-
Common Stock	-

<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<hr/> -
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<b>NET INCREASE/(DECREASE) IN CASH</b>	(58,433,588)
<b>BEGINNING CASH</b>	<hr/> 77,407,800
<b>ENDING CASH BALANCE *</b>	<hr/> <hr/> 18,974,212

**\*NOTE: ENDING CASH BALANCE MUST AGREE WITH TOTAL CASH BALANCE ON BALANCE SHEET**

**MAGELLAN**

**STATEMENT OF CASH FLOWS**

**YEAR TO DATE FOR PERIOD ENDED:** September 30, 2008

**Schedule A Disclosure**

**Describe:**

1. Sources and amounts of cash received for other grants.

2. Underlying transactions for acquisition of debt.

(Debtor, amount, purpose of loan, term, interest rate of debt acquired during the quarter.)

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3. Underlying transactions for retirement of debt.

(Debtor, amount paid off.)

4. Cash Flows From Financing Activities - Payment of Other Debt

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5. Supplemental data or non-cash investing and financing activities, gifts, etc.